

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 EB-11

AID-20 OMB-01 IGA-02 TRSE-00 COME-00 FRB-02 XMB-07

OPIC-12 SS-20 PM-07 L-03 NSC-07 CIAE-00 DODE-00

INR-10 NSAE-00 RSC-01 PRS-01 SPC-03 MMS-03 DRC-01

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FM AMEMBASSY SANTO DOMINGO

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E.O. 11652: GDS

TAGS: PFOR, DR

SUBJECT: PRE-IG REVIEW OF CASP

REF: STATE 45738

1. THE FOLLOWING EMBASSY COMMENTS ARE SUBMITTED IN RESPONSE TO THE POINTS RAISED IN REFTEL.

2. U.S. BILATERAL ECONOMIC ASSISTANCE

(A) DURING THE PERIOD 1969-1973 BILATERAL COMMITMENTS OF FUNDS AND RESOURCES TO THE DR AVERAGED \$19.65 MILLION. THE CASP SUBMISSION FOR FY 74-76 ENVISAGES AN ANNUAL LEVEL BETWEEN \$18.6 AND \$22.6 MILLION, I.E. A CONTINUATION ROUGHLY OF THE SAME ORDER OF MAGNITUDE. THE

REJECTED ALTERNATIVE WOULD HAVE BEEN MORE SHARPLY DELINEATED HAD IT READ, AS IT SHOULD HAVE "LEVELS OF DEVELOPMENT ASSISTANCE WELL ABOVE RECENT PAST AVERAGES".

(B) LOAN ESTIMATES FOR FY 1974 ARE \$8 TO \$12 MILLION AND FOR FY 1975 ARE \$8 TO \$10 MILLION. ESTIMATE FOR FY 1976 INCLUDES FOLLOW-ON SECTOR LOAN IN AGRICULTURE OF ABOUT SAME LEVEL, PLUS OR MINUS \$2 MILLION. WE BELIEVE THESE ESTIMATES CONFORM TO THE UPPER END OF THE ORDER OF MAGNITUDE ENDORSED BY THE IG FOR PLANNING YEARS FY 74 AND 75. THE ENERGY CRISIS (NOT FORESEEN IN THE IG DECISION) WHICH WILL COST THE DR AN ESTIMATED EXTRA \$100 MILLION IN FOREIGN EXCHANGE THIS

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YEAR WILL HAVE A DIRECT, ADVERSE BEARING ON THE DR'S DEVELOPMENT PLANS

AND RHYTHM. WE WOULD ALSO NOTE THAT LAST YEAR'S IG CONCLUSIONS WERE BASED UPON CERTAIN ASSUMPTIONS RELATING TO "KNOWN LOAN POSSIBILITIES" IN THE DR AND TO PROSPECTIVE FUNDING "AVAILABILITIES". WE HAVE SUBSEQUENTLY ASCERTAINED THAT LOAN POSSIBILITIES HERE ARE SOMEWHAT GREAT-

ER AND, IF REALIZED, WOULD SERVE OUR DEVELOPMENT GOALS, ESPECIALLY THE

GOAL EMPHASIZED BY THE IG OF "DIRECT BENEFIT TO THE COMMON MAN".

(C) WE AGREE THAT TABLE I RE IBRD/IDA AND IDB SHOULD BE CORRECTED TO CONFORM TO TEXT. FIGURES SUGGESTED ARE SUITABLE ALTHOUGH SOME INCREMENTAL INCREASES FOR FY 75 AND 76 WOULD PROBABLY BE MORE ACCURATE.

3. MAP - M AND U.S. MILITARY PERSONNEL LEVELS

(A) MISSION CONTINUES TO BELIEVE THAT MAP - M LEVELS OF \$800,000 AND \$450,000 FOR FY 75 AND 76 ARE JUSTIFIED AND THAT PHASE-OUT SHOULD OCCUR IN FY 78. TO ACCOMPLISH AN ORDERLY PHASE-OUT BY FY 78, THE RE-

COMMENDED FY 75 AND 76 LEVELS ARE NEEDED TO COMPLETE INTRODUCTION OF NEW SYSTEM OF RADIO COMMUNICATIONS, AND TO PROVIDE ESSENTIAL SPARE PARTS, VEHICLES AND IMPROVED AIR CAPACITY. THE PRIMARY OBJECTIVE OF THE MAP PROGRAM HERE IS TO MAINTAIN OUR INFLUENCE WITH THE DOMINICAN MILITARY, AN INSTITUTION WHICH IS KEY TO MAINTAINING POLITICAL STABILITY. CU PROGRAMS AND HIGH LEVEL VISITS, WHILE USEFUL ADJUNCTS FOR ACCOMPLISHING THIS GOAL, SHOULD NOT REALISTICALLY BE CONSIDERED AS EFFECTIVE SUBSTITUTES FOR MATERIEL WHICH IS BASICALLY WHAT THE ARMED FORCES IS ALL ABOUT -- AT LEAST THE DOMINICAN MILITARY FEELS THAT WAY.

WE SHALL, OF COURSE, CONTINUE TO STRESS FMS DURING THE PHASE-OUT PERIOD AND EXPECT THAT BY FY 78 THE GODR WILL HAVE BEEN COMPLETELY WEANED (ASSUMING NO FURTHER CRISES CAUSING SEVERE FOREIGN EXCHANGE PROBLEMS).

(B) REGARDING MAAG PERSONNEL, THE EMBASSY/JCS TOTAL FOR FY 75 IS 11. LAST YEAR, THE MAAG PROPOSED AND BOTH AMBASSADOR MELOY AND SOUTHCOM CONCURRED THAT A FURTHER REDUCTION TO 8 OCCUR IN FY 75 AND AN ADDITIONAL REDUCTION TO 6 OCCUR IN FY 76. AMBASSADOR HURWITCH HAS REVIEWED THE STAFFING PATTERNS AND ALSO CONCURS IN THE FY 75 REDUCTION TO 8. HE BELIEVES, HOWEVER, THAT THE CONTEMPLATED FY 76 REDUCTION TO 6 IS UNREALISTIC AND THAT THE LEVEL OF 8 SHOULD BE MAINTAINED DURING FY 76. WE UNDERSTAND THAT JCS HAS NOT YET APPROVED STRENGTH LEVELS BEYOND FY 74.

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(C) WE DO NOT FEEL STRONGLY ABOUT THE IAGS POSITION. IN GENERAL, WE WISH TO MINIMIZE U.S. PRESENCE HERE. IF IAGS INTENDS TO HAVE A REGIONAL OFFICER SOMEWHERE IN THE CARIBBEAN WE WOULD PREFER HE WERE AT ANOTHER POST (OR PERHAPS PUERTO RICO) BUT IF ON BALANCE IT SERVES MOST INTERESTS TO HAVE HIM HERE, WE CAN LIVE WITH IT.

4. EXPORT PROMOTION -- WE STAND ON OUR RECORD IN THE PROMOTION OF U.S. EXPORTS TO THE DR.

5. U.S. INVESTMENT

(A) WE AGREE TO ADDING A THIRD GOAL: "MAINTENANCE OF FAVORABLE INVESTMENT CLIMATE". THE COURSES OF ACTION SHOULD BE:

"C1 - UTILIZE OUR INFLUENCE WITH THE GODR TO MAINTAIN THE CURRENT FAVORABLE INVESTMENT CLIMATE

"C2 - MAKE POTENTIAL U.S. INVESTORS FULLY AWARE OF GODR REGULATIONS LIMITING AND CHANNELING FOREIGN INVESTMENT

"C3 - REMAIN ALERT TO POTENTIAL OR ACTUAL IRRITANTS CAUSED BY EXISTING U.S. INVESTORS AND DISCREETLY ASSIST THESE INVESTORS IN ELIMINATING OR AT LEAST DIMINISHING THESE IRRITANTS."

(B) WE AGREE THAT INVESTMENT FIGURES FOR FY 75 AND 76 SHOULD BE RAISED BY ABOUT \$30 MILLION EACH. HOWEVER, WE DO NOT THINK THE FULL \$185 OPIC GUARANTEE FOR FALCONBRIDGE SHOULD BE INCLUDED SINCE TO DO SO WOULD NOT MEET COMMERCE DEPARTMENT'S STANDARD DEFINITION OF FOREIGN

INVESTMENT IN THAT THIS IS (1) A GUARANTEE OF LOANS (NOT INVESTMENTS) AND (2) A PROJECT WHICH IS ESSENTIALLY CANADIAN, NOT U.S.

6. DEBT COLLECTION -- NO OBJECTION TO HAVING COA READ "CONTINUE TO LET GODR KNOW THAT REQUESTS FOR FURTHER PL-480 TITLE I ASSISTANCE WILL BE CONSIDERED ONLY WHEN GODR DEBT SERVICING IS CURRENT." WE FULLY AGREE THAT GODR SHOULD HONOR ITS DEBTS AND PAST EFFORTS TO COLLECT LEGITIMATE DEBTS ON A QUID PRO QUO BASIS HAS PLACED US IN AN UNDIGNIFIED AND DISADVANTAGEOUS POSITION. OUR REAL LEVERAGE HERE IS POLITICAL AND THE AMBASSADOR HAS EXPENDED, AND INTENDS TO CONTINUE TO EXPEND, POLITICAL CAPITAL TO CORRECT THIS SITUATION. HE BELIEVES THE GODR CAN BE BROUGHT TO PAY ITS DEBTS WITHOUT OUR HAVING TO ENGAGE IN PL-480 LINKAGE DEALS OR IN THREATS OF WITHHOLDING ECONOMIC ASSISTANCE. THE OBJECTIVE IS CLEAR; THE PROPER MIX OF LEVERAGE TO ACCOMPLISH THE GOAL SHOULD BE LEFT TO THE FIELD, WE BELIEVE.

7. U.S. ROLE IN DOMINICAN POLITICAL DEVELOPMENT -- WE SHARE PRE-IG'S CONCERN FOR CONTINUED WEAKNESS OF DOMINICAN POLITICAL INSTITUTIONS AND WILL CONTINUE TO SEEK TO ENCOURAGE THEIR DEVELOPMENT. THE BEGINNING OF A NEW FOUR-YEAR PERIOD OF GOVERNMENT MAY OFFER US
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RENEWED OPPORTUNITIES TO THAT END.

8. OTHERS

(A) U.S. NATIONAL DEFENSE -- GIVEN UNIPERSONAL NATURE OF DOMINICAN POLITICAL SYSTEM AND ITS INHERENT FRAGILITY, U.S. NATIONAL DEFENSE INTEREST COULD BE ADVERSELY AFFECTED SHOULD PRESIDENT BALAGUER UNEXPECTEDLY DISAPPEAR. THUS, DESPITE THE ABSENCE OF A CURRENT VISIBLE THREAT TO THE STABILITY OF THE GODR, WE CONTINUE TO FEEL THAT A MEDIUM LOC IS MORE APPROPRIATE.

(B) PROPOSED EDUCATION LOAN -- WE THINK IT UNLIKELY THAT THERE WILL BE AN EDUCATION LOAN IN THE DR DURING THE CASP TIME-FRAME, BUT IN A CHANGING SITUATION WE CONSIDERED IT PRUDENT TO REVIEW QUESTIONS IN FY 76 AND THUS INCLUDED A CONTINGENCY AMOUNT.
HURWITCH

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